

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION JOINT APPROPRIATIONS SUBCOMMITTEE ON INFORMATION TECHNOLOGY

Call to Order: By **CHAIRMAN TOM ZOOK**, on January 10, 2001 at 7:00 A.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Sen. Tom Zook, Chairman (R)
Rep. Matt McCann, Vice Chairman (D)
Rep. John Brueggeman (R)
Sen. John Cobb (R)
Rep. Stanley Fisher (R)
Rep. Dick Haines (R)
Sen. Greg Jergeson (D)
Sen. Royal Johnson (R)
Rep. Dave Lewis (R)
Rep. Monica Lindeen (D)
Sen. Linda Nelson (D)
Sen. Jon Tester (D)

Members Excused: None.

Members Absent: None.

Staff Present: Greg DeWitt, Legislative Branch
Paula Broadhurst, Committee Secretary
Mary Beth Linder, OBPP
Christi Tyson, OBPP

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: INFORMATIONAL MEETING ON
INFORMATION TECHNOLOGY,
1/07/2001

SEN. TOM ZOOK, CHAIRMAN, SD 2, Miles City, opened the meeting with an explanation of the purpose of the Joint Subcommittee on Information Technology. The bottom line will be to come up with a budget and look at costs and benefits. **Greg DeWitt, of the Legislative Fiscal Division**, then presented background

information. **Mr. DeWitt** staffed the interim committee with **SEN. TOM ZOOK** (then **REP. ZOOK**), **SEN. GREG JERGESON**, **SEN. TOM BECK**, and **REP. BOB RAINEY**. **Pam Joehler** was the co-staffer. HB 2 of the 1999 session required a unified computer budget summary, provided by the Office of Budget and Program Planning. The interim committee had to decide the requirements for that and give recommendations to the Budget Office. The executive budget book and interim study report were introduced. The concerns of the legislature over Information Technology (IT) are the amount of money spent, management and reviews and budget planning processes. The recommendation from staff was that this joint subcommittee on IT be formed.

Mary Beth Linder from the Office of Budget and Program Planning, presented the report of Information Technology Recommendations designed by the interim subcommittee.

EXHIBIT(jih07a01)

She then handed out a replacement page for p. I-4 on which there was a single error.

EXHIBIT(jih07a02)

She then explained the budget information on pages I-4 through I-7, actual expenditures from fiscal 2000. She explained pages I-8 through I-13, the unified IT budget summary. The summary shows by agency and by program the fiscal 2000 actual IT expenditures (IT base budget) and the recommendations contained in the Governor's Executive Budget for present law adjustments (increases and decreases to the base) and for new proposals for each year of the 2003 biennium.

Tony Herbert, Administrator of the Information Services Division, Department of Administration, then began his overview of Information Technology. He described the remodeling of the capitol building as "remaking the face of government." Many of these projects have involved technology, taking old technologies and older systems and procedures and changing the way the state does business. New networking technologies, new chip capabilities and computing power, new partnerships and web presences are electronically remaking the face of government. The expectations of citizens are changing. The IT Biennial Plan addresses making technology available to meet these expectations. He gave a history of chips and PCs, the internet and changing citizen expectations. Computing power has been doubling every year. In 1999, 56% of households in Montana had computers. The installed base of PCs in the U.S. was 153,000,000. Montana is keeping pace with households nationwide. Part of the presentation included a video of Paul Allen and Bill Gates of Microsoft. In 1999, more than 93% of information produced was digital. A history of the internet was presented. Today, over

250 million people are connected to the internet and predictions for growth are being exceeded. **EXHIBIT(jih07a03)**

CHAIRMAN ZOOK stated he read that the widespread use of the internet accounts for 15% of energy used and commented that this might be affecting electrical costs. **Mr. Herbert** declared that the internet economy was the 18th largest economy in the world. It took three years to reach 60 million customers compared to 30 years for radio and 15 years to television. The industry employs 2.5 million workers, more than insurance, communications, or public utilities. Information was presented that Montanans are using internet technology aggressively. Use of the internet has become a competitive advantage in business. As a result, there has been a major shift in expectations of Montana citizens on how to get information and services; they want to be "online instead of "in line". The challenge is to re-engineer citizen access to government, to provide a single face of government, deploy useful online services fast, manage privacy and security, and provide traditional services as well.

SEN. JOHN COBB asked about manager's expectations versus recommendations from IT. **Mr. Herbert** answered that manager's expectations are different than citizens' expectations. Citizens want to be able to interface differently than in the traditional way. He summarized the transformation of the relationship of government to Montana citizens and businesses.

Questions from Committee Members and Responses:

SEN. ROYAL JOHNSON asked about the coordination of the Banner System within the University System. **Mr. Herbert** said that SB 131 addresses better coordination between agencies. **SEN. JOHNSON** expressed concerns similar to **SEN. COBB**, about whether information technology was responding to expectations or driving them.

REP. DAVE LEWIS stated he remembered questions from last session about return on investment (ROI) and reiterated those same concerns. **Mr. Herbert** said that a ROI quotient could be worked toward. The problem is the issue of making investments to meet the requirements that are placed on a particular agency to meet citizen needs; it is difficult for program managers to state whether there are specific savings compared to the value of meeting that need. The systems do not get built and remain static; it is important to remain current and move forward and investments sometimes have to be made to meet standards. **REP. LEWIS** said the problem was how to present to the legislature and the public that there is a return and how to move in that direction.

SEN. JERGESON commented that the discussion needs to go on and the committee needs to become conversant. Nothing has ever remained stable enough to derive savings. The appetite for more information or doing more has outstripped any expectation of accomplishing savings. Some savings may be in areas where managers are able to do clerical work for themselves. The nature of employees and what they are doing has changed. Because of this fluidity, savings are hard to quantify. Regarding the state accounting systems and the university accounting systems, he stated that there was not a problem getting the two systems to communicate, but in getting the systems to work the way they were expected to in the environment in which they were installed.

REP. MONICA LINDEEN questioned the idea of savings connected to the use of information technology. She stated that it is difficult to find real savings; there is really just a replacement or supplement of services and personnel from one function to another. **Tony Herbert** remarked there have been predicted savings that could not be financially shown and that the expectation of improved productivity is a better way to look at the problem of savings. He wondered how many FTE would be needed to get the work done if the state agencies did not have computers. The productivity quotient of the technology is high, and that is why business today invests so heavily in technology. If the state is not part of those investments, productivity in state government across the board will be less.

CHAIRMAN ZOOK said that there was probably not much disagreement on that, but that the investments were originally sold on the basis of savings--the expectations were that the need for FTEs would be reduced.

REP. MATT McCANN stated that IT was indeed sold on savings but now was the time to move beyond the idea of savings and recognize that productivity is what is being received--and that investments are what is being made now. Questions to ask are if those investments can be afforded and if they are needed. He said he hoped to learn what is needed and how to evaluate that.

SEN. COBB stated the need to hold back funds from agencies when systems fail and cost millions of dollars to fix that could have put money into services for citizens. **Mr. Herbert** agreed that not all projects have been successful, but that lots has been done that Montanans can be proud of. Some systems do continue to need more work. **SEN. COBB** said that ISD sets policies but all departments don't follow those policies and that creating a new department might not solve anything. **Mr. Herbert** said the new legislation would provide for better planning, to require agencies to develop strategic plans that are approved by that

department that fit the statewide plan before any budgets are ever sent to the budget office. If the subcommittee built a process of rigor around new investments, that would help.

REP. STANLEY FISHER inquired if there was a stopping point on the investments in technology. **Mr. Herbert** assured him that ongoing investment in new technology would continue to be necessary. The state of Montana spends about 3.2 % of the total budget on information technology. State governments, on average, spend about 5.5%. The federal government spends 11%. Any entity should spend an appropriate amount given its ability to take on those investments. Information technology investments will have to be reviewed on a regular basis to understand what the value is for a particular investment, if it can be afforded, if it is really needed, and if it will produce the results anticipated. The department thinks that e-government is a centerpiece issue that citizens want. The value is there; the return on investment is in the form of citizens that are more satisfied with working with the government. **REP. FISHER** acknowledged that there was probably no real answer to his question.

REP. McCANN addressed the issue of e-government. He wondered how many people are wanting to use e-government, and what they are using it for. He wanted to become comfortable that there were indeed a group of people that are capable of using e-government, and can afford to use it. He stated that he prefers to do banking transactions, for instance, in person. Others might prefer to have transactions happen after they push the button. He wondered how much of an investment should be made versus the participation that will actually take place. **Mr. Herbert** acknowledged that the change to e-government is happening to accommodate citizens who are prepared, but that the traditional environment will still be necessary for those who aren't. There will be a way of doing e-government that will not require tremendous investments that will allow moving ahead. There is a contract with a company to begin to work with the different agencies to provide e-government services.

SEN. JON TESTER asked if that as more services are offered via the internet, if the service will work as it is supposed to work, and if there will be security in place. He expressed a concern about electronic voting. **Mr. Herbert** answered that voting was not being considered as "doing business." The protection of information on state computer systems is done by qualified staff with good security tools in a stable environment. With the move to the internet, security tools, firewalls, capabilities and technologies will be brought to interface with the existing security tools in a way that does not jeopardize the data. There are examples going on in other states with the same contractor

that the department has signed with. He expressed confidence that the capabilities could be implemented with good security to assure citizens of secure transactions.

REP. DICK HAINES related an experience of trying unsuccessfully to find a good map of his district at a county office. He then accessed the internet and was immediately able to get the information he needed. He acknowledged that citizens expected the government to provide those kinds of services, and that continued investments would be necessary to provide those services.

SEN. JOHNSON asked **Mr. Herbert** if he had helped prepare the IT recommendations. He wondered how much money is being asked for information technology in all parts of state government. **Greg DeWitt** answered that the total for fiscal 2002 is \$34.9 million and for fiscal 2003 it is 34.9 million. **Mary Beth Linder** stated that is the amount being spent by the proprietary programs. The amount being spent by HB 2 programs for fiscal 2002 is \$87,700,000 as shown on page I-12. For fiscal 2003 the amount is \$83,900,000.

ADJOURNMENT

Adjournment: 8:30 A.M.

SEN. TOM ZOOK, Chairman

PRUDENCE GILDROY, Secretary

TZ/PG

EXHIBIT (jih07aad)